



# community development partnership

*Creating opportunities for people to live, work, & thrive on the Lower Cape*

## **A REGIONAL CDBG GRANT**

Serving year-round LMI (low-moderate income) residents of Eastham, Truro and Provincetown

To be funded through a Community Development Block Grant (CDBG) from the MA Department of Housing and Community Development (DHCD)

## **PRIORITIES OF THE PROGRAM ARE TO:**

**Correct and update health/safety issues, building envelope updates, energy efficiency upgrades, address lead paint hazards in residences owned and occupied year-round by LMI residents**

**Up to \$40,000 per unit is available for properties in Eastham, Truro and Provincetown.**

## **PROGRAM GUIDELINES**

The CDP Housing Rehab Loan Program is funded through an annual Community Development Block Grant (CDBG) awarded by the MA Department of Housing and Community Development (DHCD) to help preserve existing housing stock for year-round residents of Eastham, Truro and Provincetown. The program addresses critical repairs on private homes, owner-occupied and investor-owned rental units - who income qualify according to LMI (low-moderate income) guidelines set by HUD (per income tables at the end of this document).

The Community Development Partnership (CDP) is a non-profit agency that over the past few decades has been involved in the delivery of several grant rounds of CDBG Funds. This responsibility includes all implementation, monitoring and reporting tasks according to DHCD guidelines on behalf of the Grantee. In the FY 2020 grant, the Grantee is: the Town of Truro for the Eastham, Truro and Provincetown Regional Grant.

## **GRANT PRACTICES AND PRIORITIES:**

It is part of the CDP's mandate to identify and solicit eligible applications from property owners in Eastham, Truro and Provincetown. We do this through a variety of outreach initiatives, which include working with the active support of community partners in the participating towns.

**Applications for loans are processed on a first-come, first-served basis.** Once qualified, a project may be assessed and ranked against other qualified applications in terms of code priorities; any emergency need takes priority (e.g., failed heating system in winter). On occasion, the CDP must reject applications despite the presence of eligible work. Reasons for this may include: lack of program funds; conditions requiring substantial rehab beyond scope of the program; costs exceeding program limits; title issues; ineligible tenants; and factors that suggest the borrower may be unable to comply with the terms of the program.

## I. PROPERTY GUIDELINES

### A. Owner-Occupied Single-Family Units (Primary Residence)

1. Declining loans structured as mortgages are made to owner-occupied single-family units to cover essential upgrades on a primary residence. The declining loan is secured by a property lien recorded at the Barnstable County Registry of Deeds. This lien is removed by a mortgage discharge after 15 years of compliance by the borrower has passed; the loan balance declines by 1/15<sup>th</sup> in each year of compliance until it reaches zero.
2. Borrowers must hold title to the property (LMI life tenants may apply as long as owner agrees and signs).
3. All those named on a deed must agree to the loan by signing all legal documents even if they do not occupy the premises.
4. The maximum loan amount of \$40,000 is available to rehab dwellings only.
5. All loans are developed within a “moderate” rehabilitation framework for code, health and safety upgrades.
6. Borrowers must meet LMI income guidelines set out in the chart below according to household size.
7. Borrowers whose property does not remain their primary residence throughout the loan term must either pay back the loan balance or rent the property to a LMI tenant year-round at a fair market rent set by HUD.
8. No penalties will be assigned as long as borrowers remain in compliance and notify the CDP of any changes of property status. (Participating Towns will document compliance annually, by letter, for the term.)
9. The borrower may sell the property during the 15-year term. Upon the sale or transfer of the property, the owner will repay the unforgiven portion of the loan. (Participating Towns allocate this income to community projects.)
10. Direct heirs may assume the loan and its obligations if title to the property transfers before term ends. They may live in the property, find eligible LMI year-round tenants for the property, or sell the property and pay back the remaining balance due.
11. On occasion, borrowers are permitted or may be required to provide a portion of total costs; such funds are the sole responsibility of the property owner and must be verified prior to loan approval.

### B. Rental Units: Single, Multi--Family, or Accessory Units in a Single-Family Residence

1. Declining loans structured as mortgages are made to owners of units, on the same property as the owner’s primary residence, in existing buildings to be upgraded rental units that house LMI (low-moderate income) tenants year-round at fair market rents set by HUD.
2. The loan is secured by a property lien recorded at the Barnstable County Registry of Deeds. This lien is removed by a mortgage discharge after 15 years of compliance by the borrower has passed; the loan declines in each year of compliance by 1/15<sup>th</sup> until the balance reaches zero.
3. The 15-year deed restriction remains with the property for the full term of the loan. In the event of a sale, the buyer must assume the rental restriction on the property for the remainder of term of the loan.
4. Direct heirs may assume the loan and its obligations if title to the property transfers before term ends.
5. Landlords who qualify within LMI guidelines are eligible to apply for loans which will cover 100% of the rehab costs.

6. Landlords who are determined to be “above income” may apply for loan covering up to 50% of the rehab costs; they must contribute the other 50%.
7. Landlords must have income-certified existing or prospective tenant(s) in order to qualify for a loan. The CDP provides forms for certification; tenant selection otherwise is the sole responsibility of the landlord.
8. Participating Towns perform an annual audit by letter, including verification of tenants and rents, throughout the 15-year term of the loan. (Non-compliance by owners risks default penalties.)
9. Acquisition of zoning variances and special permits are the sole responsibility of the property owner.

## **II. HOUSING REHABILITATION LOAN TERMS**

- A. Up to \$40,000 per owner-occupied or rental unit is conveyed in a declining Deferred Forgivable Loan (DFL) at 0% interest for a 15-year term, secured by a property lien recorded at the Barnstable County Registry of Deeds.
- B. The 0% DFL is forgiven (declines) by 1/15<sup>th</sup> annually, as long as the borrower(s) remain in compliance. The entire loan is forgiven and the recorded mortgage is discharged at term end.
- C. Loan-related costs are included in the DFL and are reflected in closing documents, including but not limited to recording fee, credit check, and lead inspection fees. Closing costs generally range between \$200 and \$1,000.
- D. A key aspect of this program is the ability to “leverage” funds to supplement funding by the CDP Housing Rehabilitation Loan Program. Cape Cod Five Cents Savings Bank offers up to \$50,000 for loans at more competitive rates than otherwise offered. Other possible sources of leveraged funds include: property owner’s funds; Barnstable County Septic Loan Program; DOE’s Weatherization Program, “HEARTWAP” heating assistance program, Cape Light Compact, and Keyspan Energy programs all offered through Housing Assistance Corp; USDA Section 504 loan/grant program; and South Middlesex Opportunity Council’s Home Modification Program.

## **III. PROPERTY CODE, HEALTH AND SAFETY REPAIRS AND UPGRADES**

The first priority of the program is to correct all code violations, structural and sanitary; this includes deleading if circumstances require it. Within DHCD guidelines, the program covers the repairing/upgrading of exterior items, including roofs, trim, gutters, entry doors, et al. Improving energy efficiency is also a key program goal. All repairs and upgrades must align with State, Federal and local building and safety codes and be approved according to State and local historic and environmental regulations. Some examples of typical rehabilitation work performed include: roof and siding replacement or repairs, window and door upgrades, well and septic replacements, weatherization and heating upgrades, electrical and plumbing upgrades, handicapped accessibility, and egress improvements.

Certain code deficiencies must be addressed regardless of client expectations if program funds are to be made available at all. These are determined in advance as part of an overall work plan agreed with the client. Typical small maintenance repairs, cosmetic upgrades and/or remodeling are not program-approved uses of CDBG funds.

## **IV. PROGRAM TECHNICAL ASSISTANCE ON PROJECT DEVELOPMENT AND IMPLEMENTATION**

The CDP Housing Rehabilitation Loan Program develops and implements projects through the services of licensed and insured rehab specialists and general contractors who have registered their credentials, including excellent references, to the staff program manager. The housing rehab specialist inspects the property and

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prepares a work write-up based on code issues that are present, in consultation with the homeowner and within DHCD budget limits. The work write-up is submitted to the homeowner for review and agreement before being sent out to bid by general contractors registered with the program. Once a project is under contract and construction, the CDP rehab specialist and program manager, or their designee, inspect the ongoing work through to completion of the project.

## V. REQUIRED INCOME DOCUMENTATION

In addition to providing information requested on the application form, complete, accurate and up-to-date documentation of income is required of all applicants according to your particular circumstances.

*We recommend that you read through completely the notes charted on page 4 to understand what is required. Please call the Program Manager with questions so that she can help you avoid unnecessary delays.*

- ❖ *Income documentation is required for all members of the household 18+ years old and must be submitted before the CDP can perform the initial review.*
- ❖ *Provide photocopies of all documents, not originals.*
- ❖ *Some documentation requires notarization. Notaries can be found at most local banks and Town offices.*

Please return a fully completed, signed and dated application form, including all information requested, along with the following valid documents:

### **Salaried income or Unemployment income - for all Household Members 18+ years old**

1. Pay stubs for most recent 8-week period for every member of your household working for an employer.
2. Pay stubs for most recent 8-week period weeks of Unemployment Benefits.
3. Full-time students or unemployed household members must provide a notarized statement affirming this status.

### **Self-employment income - for all Household Members 18+ years old**

1. Copies of your entire IRS Tax Return 1040 for 2020 and 2021. NOTE: We do NOT need MA Tax Returns.
2. If the self-employed earner does not file taxes, a **Notarized Statement** reflecting earnings and expenses for 2020 & 2021, including dates, addresses of jobs, amounts paid, related expenses - to determine net profit.

### **OTHER INCOME: Verification of other income as applicable to Household Members 18+ years old**

**Benefit statements** for Public Assistance, VA, Unemployment, SS, SSI, disability and a verification letter or periodic statement from each pension/investment income source stating the amount and frequency of benefits.

**Child Support**, either 1) Child Support Order and Divorce Decree; or 2) Notarized Statement that you are not receiving child support.

### **ALL applicants and household members 18+ years old must submit:**

1. **Complete financial statements:** spanning the past 2 months for any/all checking, savings, investment, and retirement accounts.
2. **Copies of signed 1040 Tax Returns** for tax years 2020 & 2021. Please include Schedule C if you are self-employed and/or Schedule E if you receive rental income.

**3. IRS Verification: “Tax Return Transcripts” for every adult for tax years 2020 & 2021:** You are responsible for obtaining your IRS Tax Return Transcripts for tax years 2020 & 2021. Please refer to the **3 Easy Options Guide** included in this packet. When ordering your Tax Return Transcript, please use the same information used when filing your 1040 return. **If you do not file taxes** because your taxable income is not sufficient to meet the minimum filing requirements, you must select the **request a Verification of Non-Filing option**. Your Tax Return Transcript will be sent to you directly. Please forward this information onto the CDP in order to complete your qualification. Eligibility cannot be determined without this information.

### INCOME GUIDELINES

#### LMI (low-moderate income) limits for Barnstable County

Below are the total allowable LMI (low-moderate income) limits per size of household for qualifying for the CDP Housing Rehab Loan Program. LMI limits are set by HUD at 80% average median income for Barnstable County. Total income means income from all Adults 18 years old or over living in the household. Household size means *all people living in a household regardless of their relationship*.

Landlords or potential landlords who are above LMI Income are eligible to provide and receive matching funds up to \$40,000 per unit to rehab or create a unit for year-round rental to house LMI tenants per HUD guidelines.

FY20 HUD AREA MEDIAN INCOMES

	1 PERSON	2 PERSON	3 PERSON	4 PERSON	5 PERSON	6 PERSON	7 PERSON	8 PERSON
80% AMI *Effective 06/15/2022	60,900	69,600	78,300	86,950	93,950	100,900	107,850	114,800